

COMMONWEALTH OF KENTUCKY
BEFORE THE UTILITY REGULATORY COMMISSION

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In the Matter of:

ADJUSTMENT OF RATES OF)
TARRYTOWNE SANITATION)
COMPANY)

CASE NO. 7972

O R D E R

On September 17, 1980, Tarrytowne Sanitation Company (Applicant) filed its Application seeking authority to adjust sewer service rates to its customers located in Jefferson County, Kentucky. The proposed rates would increase annual revenues by approximately \$20,280.

In order to determine the reasonableness of the proposed rates, the Commission set a public hearing on this matter for November 5, 1980, at the Commission's offices in Frankfort, Kentucky. All parties of interest were notified. The Attorney General's Division of Consumer Intervention was the sole intervenor in this matter. Applicant responded to information requests made at the hearing on November 17, 1980, and the matter was then submitted to the Commission for final determination.

TEST PERIOD

For the purpose of testing the reasonableness of the proposed rates, the twelve month period ending June 30, 1980, has been adopted. In accordance with Commission policy, pro forma adjustments have been included when found appropriate.

REVENUES AND EXPENSES

The Applicant proposed several pro forma adjustments to reflect more current operating conditions. The Commission is of the opinion that the adjustments are generally proper and have been accepted for rate making purposes with the following exceptions.

Wages and Payroll Taxes:

Applicant proposed to increase wages by \$6,400 and related payroll taxes by \$567 to a total of \$12,000 and \$1,000 respectively. The Commission finds these amounts excessive and unsubstantiated by the evidence of record. The Commission will allow total administrative wages of \$1,800 and related payroll taxes of \$150 and will not consider for rate making purposes wages and payroll taxes exceeding these amounts.

Reserve Fund:

The pro forma requested reserve fund of \$2,000 for short-lived plant and equipment was disallowed by the Commission as it is no longer considered an appropriate expense item for rate making purposes. The Commission finds that sewage utilities in general fail to properly administer and maintain this fund and, further, that capital needs for plant replacement should be borne by the stockholders.

Utilities:

Applicant proposed adjusted water costs of \$980 and electric costs of \$4,228. The Commission has further adjusted water and electric costs to \$1,002 and \$4,710 respectively based on Louisville Water Company rates effective January 1, 1981, and Louisville Gas and Electric Company rates effective September 24, 1980.

The Commission finds it necessary to make one further adjustment to Applicant's Income Statement. We have reduced expenses applicable to the Jefferson County Public Health Department Fees from \$2,244 to a normal level of \$700 based on information submitted November 17, 1980.

Therefore, Applicant's test period operations are adjusted as follows:

	<u>Actual</u>	<u>Adjustments</u>	<u>Adjusted</u>
Operating Revenues	\$ 25,382	\$ (35)	\$25,347
Operating Expenses	29,213	(3,353)	25,860
Net Operating Income	\$ <u>(3,831)</u>	\$ <u>3,318</u>	\$ <u>(513)</u>

Applying an operating ratio of eighty-eight per cent (88%), operating revenues of \$30,510, including federal, state and local taxes, are necessary to meet the reasonable operating costs of providing sewage service. Adjusted test period operations result in an operating revenue deficiency of \$5,160, the additional revenue granted herein.

SUMMARY

The Commission, after consideration of the evidence of record and being advised so FINDS that the rate set forth in Appendix "A" attached hereto and made a part hereof, is the fair, just and reasonable rate to charge for sewage service rendered by Tarrytowne Sanitation Company in that it will permit the Applicant to meet its reasonable operating expenses and to accumulate a reasonable surplus for equity growth. The Commission further finds that the rate proposed by the Applicant is unfair, unjust and unreasonable in that it would produce operating revenues in excess of those found reasonable herein and should be denied.

IT IS THEREFORE ORDERED, that the rate sought by Tarrytowne Sanitation Company in this case be and the same is hereby denied.

IT IS FURTHER ORDERED, that the rate set forth in Appendix "A" attached hereto and made a part hereof is approved for sewage service rendered on and after the date of this Order.

IT IS FURTHER ORDERED, that the Applicant shall file with this Commission within thirty (30) days from the date of this Order its revised tariff sheets setting out the rate approved herein.

Done at Frankfort, Kentucky, this 23rd day of January, 1981.

UTILITY REGULATORY COMMISSION

Did not participate

Chairman

Vice Chairman

Commissioner

ATTEST:

APPENDIX "A"

APPENDIX TO AN ORDER OF THE UTILITY
REGULATORY COMMISSION IN CASE NO.
7972 DATED JANUARY 23, 1981

The following rates are prescribed for all customers served by Tarrytowne Sanitation Company. All other rates and charges not specifically mentioned herein shall remain the same as those in effect prior to the date of this Order.

<u>Customer Category</u>	<u>Monthly Rates</u>
Single-Family Residential	\$9.00 per residence